

AKRON CITY CONVALESCENT CARE CENTER

Akron, Iowa

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INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2005 AND 2004

# AKRON CITY CONVALESCENT CARE CENTER

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AKRON CITY CONVALESCENT CARE CENTER

CITY OF AKRON, IOWA

OFFICIALS

Bob Nielsen	President
Curt Lewison	Vice President
Joy Dirks	Secretary
Suzi Tucker	Member
Ron Wilmot	Member

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Jerold J. Dykstra	Administrator
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Akron City Convalescent Care Center

We have audited the accompanying statements of net assets of Akron City Convalescent Care Center, a component unit of the City of Akron, Iowa, as of June 30, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Akron City Convalescent Care Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Akron City Convalescent Care Center as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Care Center will continue as a going concern. As discussed in Note N to the financial statements, the Care Center's operating revenues have been less than its operating expenses for the last three years resulting in a significant strain on its cash flow. This condition raises substantial doubt about its ability to continue as a going concern. Management's plans regarding this matter are also disclosed in Note N. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005 on our consideration of Akron City Convalescent Care Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 7 and 19 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements that collectively comprise Akron City Convalescent Care Center's basic financial statements. Other supplementary information included in this report (shown on pages 21 through 28) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sioux City, Iowa  
August 11, 2005

*King, Reinsch, Prosser & Co., L.L.P.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Akron City Convalescent Care Center provides this Management's Discussion and Analysis of Akron City Convalescent Care Center's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Care Center's financial statements, which follow.

### **2005 Financial Highlights**

- The Care Center had an operating loss of \$76,773 for fiscal 2005 and an operating loss of \$93,955 for fiscal 2004.
- Net operating revenue from services to patients and residents decreased 1.2 percent, or approximately \$21,000, from fiscal 2004 to fiscal 2005.
- Operating expenses decreased 2.7 percent or approximately \$50,000, from fiscal 2004 to fiscal 2005.
- Donations increased 166.8 percent, or approximately \$38,000, from fiscal 2004 to fiscal 2005.
- The Care Center's net assets decreased 4.2 percent, or approximately \$16,000, from June 30, 2004 to June 30, 2005.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Care Center's financial activities.

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. These statements provide information about the activities of the Care Center, on a comparative basis, including resources held by the Care Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Care Center's budget for the year.

Other Supplementary Information provides detailed information about the operations of the Care Center.

## **Reporting the Care Center's Financial Activities**

### *The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets*

One of the most important questions asked about the Care Center's finances is "Is the Care Center as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Care Center's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Care Center's net assets, which is the difference between assets and liabilities, as one way to measure the Care Center's financial health or financial position. Over time, increases or decreases in the Care Center's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the Care Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic conditions, are also important in making this determination.

### *The Statement of Cash Flows*

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

## **Financial Analysis of the Care Center**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Care Center's net assets decreased by \$15,905 (4.2 percent) from fiscal 2004 to fiscal 2005 and comparably decreased by \$69,991 (15.7 percent) from fiscal 2003 to fiscal 2004.

### Assets, Liabilities and Net Assets

June 30,

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current assets	\$ 98,549	\$ 85,590	\$ 82,612
Restricted assets	2,619	14,811	75,490
Capital assets, net of accumulated depreciation	<u>1,011,886</u>	<u>1,042,704</u>	<u>514,798</u>
Total assets	<u>\$ 1,113,054</u>	<u>\$ 1,143,105</u>	<u>\$ 672,900</u>
Current liabilities	\$ 259,658	\$ 217,551	\$ 225,956
Long-term debt	<u>492,348</u>	<u>548,601</u>	<u>-</u>
Total liabilities	<u>\$ 752,006</u>	<u>\$ 766,152</u>	<u>\$ 225,956</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 463,483	\$ 439,865	\$ 495,798
Unrestricted (deficit)	<u>(102,435)</u>	<u>(62,912)</u>	<u>(48,854)</u>
Total net assets	<u>\$ 361,048</u>	<u>\$ 376,953</u>	<u>\$ 446,944</u>

The following shows the changes in net assets for the Care Center.

<u>Revenues, Expenses and Changes in Net Assets</u>			
	<u>Year Ended June 30,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating revenues:			
Net patient service revenue	\$ 1,705,682	\$ 1,726,441	\$ 1,675,132
Other operating revenues	<u>14,336</u>	<u>25,942</u>	<u>25,966</u>
Total operating revenues	<u>\$ 1,720,018</u>	<u>\$ 1,752,383</u>	<u>\$ 1,701,098</u>
Operating expenses:			
Nursing services	\$ 792,228	\$ 826,024	\$ 809,454
Other professional services	82,734	105,093	112,543
General services	378,694	407,494	433,205
Administrative and general	393,958	392,741	404,457
Depreciation	28,407	31,716	32,469
Village South apartment complex	38,695	39,220	38,109
Village North apartment complex	<u>82,075</u>	<u>44,050</u>	<u>-</u>
Total operating expenses	<u>\$ 1,796,791</u>	<u>\$ 1,846,338</u>	<u>\$ 1,830,237</u>
Operating loss	<u>\$ (76,773)</u>	<u>\$ (93,955)</u>	<u>\$ (129,139)</u>
Non-operating revenues:			
Donations	\$ 60,804	\$ 22,793	\$ 32,176
Interest income	<u>64</u>	<u>1,171</u>	<u>2,336</u>
Total non-operating revenues	<u>\$ 60,868</u>	<u>\$ 23,964</u>	<u>\$ 34,512</u>
Change in net assets	\$ (15,905)	\$ (69,991)	\$ (94,627)
Net assets beginning of year	<u>376,953</u>	<u>446,944</u>	<u>541,571</u>
Net assets end of year	<u>\$ 361,048</u>	<u>\$ 376,953</u>	<u>\$ 446,944</u>

### Operating Losses

The first component of the overall change in the Care Center's net assets is its operating loss, which is the difference between the sum of the net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Care Center has reported an operating loss. This is consistent with the Care Center's recent operating history as the Care Center was formed and is operated primarily to serve residents of Plymouth County and the surrounding area.

The operating loss for fiscal 2005 decreased by \$17,182, or 18.3 percent from fiscal 2004. Comparably, the operating loss for fiscal 2004 decreased by \$35,184 or 27.2 percent from fiscal 2003. The primary components of the decreased operating losses are:

- An increase in donations of \$38,011, or 166.8 percent from fiscal 2004 to fiscal 2005, compared to an increase in net patient service revenue of \$51,285, or 3 percent from fiscal 2003 to fiscal 2004.
- A decrease in operating expenses of \$49,547, or 2.7 percent from fiscal 2004 to fiscal 2005, compared to an increase in operating expenses of \$16,101, or 0.9 percent from fiscal 2003 to fiscal 2004.



Non-operating revenues consist primarily of donations. Donations increased \$38,011, or 166.8 percent from fiscal 2004 to fiscal 2005, compared to a decrease of \$9,383, or 29.2 percent from fiscal 2003 to fiscal 2004. The majority of the fiscal 2005 donations are from the Care Center's administrator. The administrator contributed \$26,376 of services and \$24,403 of cash.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2005, the Care Center had \$1,011,886 invested in capital assets, net of accumulated depreciation, as detailed in Note F to the financial statements.

### **Long-Term Debt**

At June 30, 2005, the Care Center had a note payable to the bank totaling \$548,403, as detailed in Note H to the financial statements.

## **Economic Factors**

Akron Convalescent Care Center continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for the Care Center officials. Some of the realities that may potentially become challenges for the Care Center to meet are:

- High percentage of occupancy rates.
- Drug costs will continue to increase.
- Facilities at the Care Center require constant maintenance and upkeep.
- Shortages in finding qualified employees.
- Potential changes in reimbursement rates.

The Care Center anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Care Center's ability to react to unknown issues.

## **Contacting the Care Center's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Care Center's finances and to show the Care Center's accountability for the money it receives. If you have questions about this report and or need additional financial information, contact Akron Convalescent Care Center, P.O. Box 830, Akron, Iowa.

AKRON CITY CONVALESCENT CARE CENTER

STATEMENTS OF NET ASSETS

JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,253	\$ 9,586
Accounts receivable (less allowance for doubtful accounts of \$2,000 in 2005 and 2004)	58,876	60,999
Supplies inventory	2,131	2,371
Prepaid expenses	<u>11,289</u>	<u>12,634</u>
Total current assets	<u>\$ 98,549</u>	<u>\$ 85,590</u>
NONCURRENT ASSETS:		
Restricted cash	\$ 2,619	\$ 14,811
Capital assets, net of accumulated depreciation	<u>1,011,886</u>	<u>1,042,704</u>
Total noncurrent assets	<u>\$ 1,014,505</u>	<u>\$ 1,057,515</u>
 Total assets	 <u>\$ 1,113,054</u>	 <u>\$ 1,143,105</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Current liabilities:		
Excess of outstanding checks over bank balance	\$ -	\$ 11,302
Accounts payable	29,954	25,254
Accrued salaries and wages	34,856	33,430
Payroll taxes withheld and accrued	9,453	10,337
Accrued compensation	79,340	82,990
Due to City of Akron	50,000	-
Current maturities of long-term debt	<u>56,055</u>	<u>54,238</u>
Total current liabilities	<u>\$ 259,658</u>	<u>\$ 217,551</u>
 Long-term debt, excluding current maturities	 <u>\$ 492,348</u>	 <u>\$ 548,601</u>
 Total liabilities	 <u>\$ 752,006</u>	 <u>\$ 766,152</u>
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 463,483	\$ 439,865
Unrestricted (deficit)	<u>(102,435)</u>	<u>(62,912)</u>
 Total net assets	 <u>\$ 361,048</u>	 <u>\$ 376,953</u>

AKRON CITY CONVALESCENT CARE CENTER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Net revenue from services to patients and residents	\$ 1,705,682	\$ 1,726,441
Other operating revenues	<u>14,336</u>	<u>25,942</u>
Total operating revenues	<u>\$ 1,720,018</u>	<u>\$ 1,752,383</u>
OPERATING EXPENSES:		
Administrative and general	\$ 393,958	\$ 392,741
Plant operations and maintenance	61,723	61,511
Dietary	227,556	246,407
Laundry	40,152	43,053
Housekeeping	49,263	56,523
Nursing services:		
Salaries	746,508	782,322
Supplies and other	39,869	39,308
Drugs and medical supplies	5,851	4,394
Activities	43,140	55,780
Social services	23,045	24,211
Physical therapy	12,100	21,502
Other services	4,449	3,600
Depreciation	28,407	31,716
Village South apartment complex (including depreciation)	38,695	39,220
Village North apartment complex (including depreciation)	<u>82,075</u>	<u>44,050</u>
Total operating expenses	<u>\$ 1,796,791</u>	<u>\$ 1,846,338</u>
OPERATING LOSS	<u>\$ (76,773)</u>	<u>\$ (93,955)</u>
NON-OPERATING REVENUES:		
Donations	\$ 60,804	\$ 22,793
Interest income	<u>64</u>	<u>1,171</u>
Total non-operating revenues	<u>\$ 60,868</u>	<u>\$ 23,964</u>
CHANGES IN NET ASSETS	\$ (15,905)	\$ (69,991)
NET ASSETS BEGINNING OF YEAR	<u>376,953</u>	<u>446,944</u>
NET ASSETS END OF YEAR	<u><u>\$ 361,048</u></u>	<u><u>\$ 376,953</u></u>

AKRON CITY CONVALESCENT CARE CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patient and resident services	\$ 1,707,805	\$ 1,722,813
Other operating revenues	14,336	25,942
Cash paid to suppliers for goods and services	(423,273)	(409,707)
Cash paid to employees for services	(1,267,904)	(1,360,726)
Interest paid on bank note payable	(19,027)	(15,144)
Net cash provided by (used for) operating activities	<u>\$ 11,937</u>	<u>\$ (36,822)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Donations received	\$ 34,428	\$ 22,793
Advance from City of Akron	50,000	-
Net cash provided by non-capital financing activities	<u>\$ 84,428</u>	<u>\$ 22,793</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	\$ (26,216)	\$ (642,248)
Proceeds from bank note payable	-	606,000
Principal paid on bank note payable	(54,436)	(22,161)
Net cash used for capital and related financing activities	<u>\$ (80,652)</u>	<u>\$ (58,409)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>\$ 64</u>	<u>\$ 1,324</u>
NET INCREASE (DECREASE) IN CASH	\$ 15,777	\$ (71,114)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>13,095</u>	<u>84,209</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u><u>\$ 28,872</u></u>	<u><u>\$ 13,095</u></u>
Reconciliation of cash and cash equivalents to the statement of net assets:		
Cash and cash equivalents	\$ 26,253	\$ 9,586
Restricted cash	2,619	14,811
Excess of outstanding checks over bank balance	-	(11,302)
Total cash and cash equivalents	<u>\$ 28,872</u>	<u>\$ 13,095</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	<u>\$ (76,773)</u>	<u>\$ (93,955)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	\$ 57,034	\$ 49,125
Donated services	26,376	-
Changes in assets and liabilities:		
Accounts receivable	2,123	(3,628)
Supplies inventory	240	521
Prepaid expenses	1,345	843
Accounts payable	4,700	8,401
Accrued salaries and wages	1,426	5,275
Payroll taxes withheld and accrued	(884)	(3,140)
Accrued compensation	(3,650)	(264)
Total adjustments	<u>\$ 88,710</u>	<u>\$ 57,133</u>
Net cash provided by (used for) operating activities	<u><u>\$ 11,937</u></u>	<u><u>\$ (36,822)</u></u>

See accompanying notes to the financial statements.

## AKRON CITY CONVALESCENT CARE CENTER

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Akron City Convalescent Care Center is a component unit of the City of Akron, Iowa established to provide and maintain health care facilities, and to promote the general health of the community. The Care Center is governed by a Board of Trustees in accordance with Chapter 392 of the Code of Iowa and Akron City Ordinance. Prior to July 1, 1986, the Care Center operated as Akron City Hospital.

The Care Center is licensed as a nursing facility with a bed capacity of fifty two beds. Substantially all of the Care Center's patients and residents are local residents and a majority of them are entitled to benefits under the Medicaid/Title XIX program. The Care Center also operates two assisted living apartment complexes separate from the licensed facility.

The Care Center's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Basis of Presentation

The Statement of Net Assets displays the Care Center's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Care Center's policy to use restricted resources first.

AKRON CITY CONVALESCENT CARE CENTER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):

- B. Measurement focus and Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred

In reporting its financial activity, the Care Center applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

- C. Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents consist of all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Accounts Receivable - Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Supplies Inventory - Supplies inventory is valued at cost (first-in, first-out) or market, whichever is lower.

AKRON CITY CONVALESCENT CARE CENTER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):

Restricted Assets - Restricted assets consist primarily of funds designated by the Board of Trustees for the improvement, replacement and expansion of capital assets. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes.

Capital Assets - Capital assets are carried at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method. The useful lives of the buildings and improvements (including the Assisted Living Apartment Complexes) range from ten to fifty years. The useful lives of equipment range from three to twenty-five years.

- E. Statement of Revenues, Expenses and Changes in Net Assets - For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses.
- F. Net Patient Service Revenue- Patient service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for service rendered.

Revenue from services provided to Medicaid (Title XIX) nursing care patients under an agreement with the Iowa Department of Human Services is recorded at reimbursement rates determined by the Department. These rates are below the Care Center's established rates.

NOTE B - CASH AND INVESTMENTS:

The Care Center's deposits in banks at June 30, 2005 and 2004 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City of Akron has adopted an investment policy in accordance with state law. Eligible investments include interest-bearing accounts or certificates of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa and obligations of the United States Government, its agencies and instrumentalities.

AKRON CITY CONVALESCENT CARE CENTER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE C - ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Medicaid/Title XIX:		
Part B	\$ 954	\$ -
Nursing Care	51,635	57,383
Other Payors	7,621	5,359
Patients/Residents	<u>666</u>	<u>257</u>
	\$ 60,876	\$ 62,999
Less: Allowance for doubtful accounts	<u>2,000</u>	<u>2,000</u>
	<u>\$ 58,876</u>	<u>\$ 60,999</u>

NOTE D - CONTRACT COSTS RECEIVABLE/PAYABLE:

The Care Center has entered into reimbursement agreements for nursing services rendered to Veterans Administration and Medicaid patients. The Care Center enters into contracts with the Veterans Administration to provide reimbursement at stated per diem rates on a patient by patient basis. The Medicaid program has adopted a prospective per diem reimbursement method which represents full payment on submitted claims.

NOTE E - RESTRICTED CASH:

During the year ended June 30, 1998 the Center paid off its revenue notes. All of the reserve funds were then transferred to a Capital Reserve Account, based on a resolution of the Board of Trustees.

The Care Center's Board restricted assets have been invested by the City of Akron at June 30, 2005 and 2004 as follows:

	<u>2005</u>	<u>2004</u>
Capital reserve fund:		
Investment (savings) account	<u>\$ 2,619</u>	<u>\$ 14,811</u>



AKRON CITY CONVALESCENT CARE CENTER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE F - CAPITAL ASSETS:

Capital assets activity for the year ended at June 30, 2005 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 23,004	\$ -	\$ -	\$ 23,004
Capital assets being depreciated:				
Buildings and improvements	\$ 1,795,504	\$ 18,917	\$ -	\$ 1,814,421
Equipment and furnishings	226,697	7,299	-	233,996
Total capital assets being depreciated	\$ 2,022,201	\$ 26,216	\$ -	\$ 2,048,417
Less accumulated depreciation:				
Buildings and improvements	\$ 814,826	\$ 45,046	\$ -	\$ 859,872
Equipment and furnishings	187,675	11,988	-	199,663
Total accumulated depreciation	\$ 1,002,501	\$ 57,034	\$ -	\$ 1,059,535
Total capital assets being depreciated, net	\$ 1,019,700	\$ (30,818)	\$ -	\$ 988,882
Total capital assets, net	\$ 1,042,704	\$ (30,818)	\$ -	\$ 1,011,886

NOTE G - DUE TO THE CITY OF AKRON:

During the year ended June 30, 2005, the City of Akron loaned the Care Center \$50,000. The funds were used for payroll and insurance expenses. The loan is due by June 30, 2006. In addition, subsequent to year end the City of Akron loaned the Care Center an additional \$35,000.

NOTE H - LONG-TERM DEBT:

Long-term debt consists of a note payable to the bank with an original principal of \$625,000. The note financed the construction of the Village North Apartment Complex, an 8-unit assisted living facility completed in December 2003. The note is payable in 120 equal monthly installments of \$6,122, including interest at 3.3 percent. The note shall be payable solely and only out of the net revenue of the Care Center and shall be a first lien on the future net revenues of the Care Center. The future maturities are as follows:

AKRON CITY CONVALESCENT CARE CENTER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE H - LONG-TERM DEBT (CONTINUED):

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 56,055
2007	57,933
2008	59,874
2009	61,880
2010	63,953
Remaining	<u>248,708</u>
Total	\$ 548,403
Less: Current maturities	<u>56,055</u>
Balance due, net	<u>\$ 492,348</u>

NOTE I - INTEREST COST:

The Care Center's policy is to capitalize interest cost on construction in progress to the extent such construction is capitalized in the Statement of Net Assets. For the year ended June 30, 2004, the Care Center capitalized \$6,695 of interest cost and incurred total interest cost of \$15,144 in connection with assisted living project.

NOTE J - OPERATING LEASES:

The Care Center leases various equipment under operating leases. Rental expense under these leases was \$3,541 and \$2,113 for the years ended June 30, 2005 and 2004, respectively.

NOTE K - RELATED PARTY TRANSACTIONS:

The Care Center purchases its electricity, water, sewer and garbage services from the City of Akron's municipal utility. The total amounts purchased for the years ended June 30, 2005 and 2004 were \$25,470 and \$22,282, respectively. In addition, the Care Center received cash donations of \$24,403 and donated services of \$26,376 from its administrator for the year ended June 30, 2005.

NOTE L - PENSION AND RETIREMENT BENEFITS:

The Care Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

AKRON CITY CONVALESCENT CARE CENTER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE L - PENSION AND RETIREMENT BENEFITS (CONTINUED):

Plan members are required to contribute 3.70 percent of their annual salary and the Care Center is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by State statute. The Care Center's contribution to IPERS for the years ended June 30, 2004 and 2003 were \$59,995 and \$62,183, respectively, equal to the required contributions for each year.

NOTE M - RISK MANAGEMENT:

The Care Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Care Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Care Center's workers compensation insurance coverage is purchased from an association of Iowa long-term care providers. The program includes a minimum contribution to cover projected claims and administration costs as well as a potential maximum contribution level. If a member's actual claims for any policy year exceed the claim fund amount included in the minimum contribution, after adjustment for actual payrolls, the member is required to contribute the excess, up to the stated maximum contribution.

Losses for claims in excess of the minimum contributions to the claim fund are accrued when information provided by the Association indicates an assessment is probable and can be reasonably estimated. At June 30, 2005, there were no claims in excess of the minimum contributions to the claim fund.

NOTE N - GOING CONCERN:

The Care Center's percentage of occupancy for the last three years is summarized as follows:

June 30, 2005	<u>77.6%</u>
June 30, 2004	<u>81.3%</u>
June 30, 2003	<u>81.5%</u>

As a result of the low percentage of occupancy, operating expenses have exceeded operating revenues resulting in net operating losses summarized as follows:

AKRON CITY CONVALESCENT CARE CENTER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE N - GOING CONCERN (CONTINUED):

	June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating revenues	\$ 1,701,098	\$ 1,752,383	\$ 1,720,018
Operating expenses	<u>1,830,237</u>	<u>1,846,338</u>	<u>1,796,791</u>
Net operating losses	<u>\$ (129,139)</u>	<u>\$ (93,955)</u>	<u>\$ (76,773)</u>

Although management has reduced operating expenses for each of the last three years, the reductions have not been sufficient to eliminate the net operating losses. The large operating losses have placed a significant strain on the Care Center's cash flow, resulting in current liabilities exceeding current assets by \$161,109 as of June 30, 2005. In addition, the Care Center had a \$102,435 deficit in unrestricted net assets as of June 30, 2005.

An in-kind contribution of services in the amount of \$26,376 from an employee of the Care Center in addition to a \$50,000 loan from the City of Akron were used to help pay certain operating expenses for the year ended June 30, 2005. Subsequent to June 30, 2005, the City of Akron loaned the Care Center an additional \$35,000 to help pay operating expenses.

The Board of Trustees has approved a budget for the year ending June 30, 2006 that reflect revenues in excess of expenses. The budget is based upon the assumption that the percentage of occupancy will be about 87 percent. In addition, management plans to increase room rate during the year ended June 30, 2006 and maintain operating expenses at or below operating revenues to the extent possible. However, if operating expenses exceed operating revenues, management will request additional funds from the City of Akron to help pay for certain operating expenses.

Because it is unclear whether management will be successful in eliminating net operating losses or obtaining additional funds from the City of Akron, there is uncertainty about the Care Center's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should the Care Center be unable to continue as a going concern.

## **REQUIRED SUPPLEMENTARY INFORMATION**

AKRON CITY CONVALESCENT CARE CENTER

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES

AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL (ACCRUAL BASIS)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2005

	Actual Accrual Basis	Budgeted Amounts Original/ Amended*	Final to Actual Accrual Basis Variance
OPERATING REVENUES:			
Net revenue from services to patients and residents	\$ 1,705,682	\$ 1,881,007	\$ (175,325)
Other operating revenues	<u>14,336</u>	<u>18,600</u>	<u>(4,264)</u>
Total operating revenues	<u>\$ 1,720,018</u>	<u>\$ 1,899,607</u>	<u>\$ (179,589)</u>
OPERATING EXPENSES:			
Administrative and general	\$ 393,958	\$ 393,450	\$ (508)
Plant operations and maintenance	61,723	68,500	6,777
Dietary	227,556	240,650	13,094
Laundry	40,152	40,750	598
Housekeeping	49,263	54,000	4,737
Nursing services:			
Salaries	746,508	776,500	29,992
Supplies and other	39,869	36,750	(3,119)
Drugs and medical supplies	5,851	4,400	(1,451)
Activities	43,140	51,000	7,860
Social services	23,045	21,100	(1,945)
Physical therapy	12,100	21,250	9,150
Other services	4,449	3,800	(649)
Depreciation	28,407	31,475	3,068
Village North and South Apartment Complex (including depreciation)	<u>120,770</u>	<u>171,268</u>	<u>50,498</u>
Total operating expenses	<u>\$ 1,796,791</u>	<u>\$ 1,914,893</u>	<u>\$ 118,102</u>
OPERATING LOSS	<u>\$ (76,773)</u>	<u>\$ (15,286)</u>	<u>\$ (61,487)</u>
NON-OPERATING REVENUES:			
Donations	\$ 60,804	\$ 20,000	\$ 40,804
Interest income	<u>64</u>	<u>500</u>	<u>(436)</u>
Total non-operating revenues	<u>\$ 60,868</u>	<u>\$ 20,500</u>	<u>\$ 40,368</u>
CHANGES IN NET ASSETS	<u>\$ (15,905)</u>	<u>\$ 5,214</u>	<u>\$ (21,119)</u>

\*Budget was not amended.

See accompanying independent auditors' report.

AKRON CITY CONVALESCENT CARE CENTER

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -

BUDGETARY REPORTING

JUNE 30, 2005

The Akron City Convalescent Care Center's Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Care Center on the accrual basis of accounting. The Akron City Convalescent Care Center submits the adopted budget to the City of Akron where it is incorporated within the City of Akron's certified budget. The City of Akron is responsible for following the requirements of public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The City of Akron's Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenses.

## **OTHER SUPPLEMENTARY INFORMATION**



AKRON CITY CONVALESCENT CARE CENTER

SCHEDULES OF REVENUE

YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Net operating revenue from services to patients and residents:		
Nursing charges	\$ 1,572,270	\$ 1,647,164
Rent incomes:		
Village South apartment complex	60,385	65,600
Village North apartment complex	<u>62,366</u>	<u>9,703</u>
	<u>\$ 1,695,021</u>	<u>\$ 1,722,467</u>
Other services to patients and residents:		
Medical supplies and drugs	<u>\$ 10,661</u>	<u>\$ 3,974</u>
Total net operating revenue from services to patients and residents	<u><u>\$ 1,705,682</u></u>	<u><u>\$ 1,726,441</u></u>
Other operating revenue:		
Meals other than patients:		
Meals-on-Wheels	\$ -	\$ 3,612
Child care center	-	5,532
Guest meals	1,820	1,385
Activities income - craft room	3,942	3,113
Refunds and miscellaneous	<u>8,574</u>	<u>12,300</u>
Total other operating revenue	<u><u>\$ 14,336</u></u>	<u><u>\$ 25,942</u></u>

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULES OF EXPENSES

YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Administrative and general:		
Salaries	\$ 91,927	\$ 87,462
Office supplies	7,874	8,016
Telephone	5,394	5,146
Advertising	3,585	4,428
Licenses and dues	2,661	1,046
Legal and accounting	13,609	11,925
Payroll taxes - including IPERS	135,900	147,039
Insurance:		
Property and liability	27,279	27,200
Workers' compensation	44,351	34,593
Directors' and officers' liability	3,822	5,507
Employee health	46,580	41,844
Employee physicals and vaccinations	4,947	6,098
Education and travel	1,100	3,349
Finance charges paid	186	84
Computer - software	1,064	5,027
Other	3,679	3,977
	<u>\$ 393,958</u>	<u>\$ 392,741</u>
Plant operations and maintenance:		
Gas	\$ 20,371	\$ 17,476
Electricity and water (City of Akron Municipal Utilities)	18,794	17,999
Repairs and maintenance	22,558	26,036
	<u>\$ 61,723</u>	<u>\$ 61,511</u>
Dietary:		
Salaries	\$ 143,929	\$ 145,071
Food	73,424	92,516
Supplies and other	10,203	8,820
	<u>\$ 227,556</u>	<u>\$ 246,407</u>
Laundry:		
Salaries	\$ 13,969	\$ 16,000
Contract services	22,072	23,212
Linen	2,007	1,852
Supplies and other	2,104	1,989
	<u>\$ 40,152</u>	<u>\$ 43,053</u>

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULES OF EXPENSES

YEARS ENDED JUNE 30, 2005 AND 2004

(CONTINUED)

	<u>2005</u>	<u>2004</u>
Housekeeping:		
Salaries	\$ 41,672	\$ 48,972
Supplies and other	<u>7,591</u>	<u>7,551</u>
	<u>\$ 49,263</u>	<u>\$ 56,523</u>
Nursing services - salaries:		
Registered nurses	\$ 206,560	\$ 235,956
Licensed practical nurses	110,425	96,875
Aides	<u>429,523</u>	<u>449,491</u>
	<u>\$ 746,508</u>	<u>\$ 782,322</u>
Nursing services - supplies and other:		
Supplies	\$ 32,507	\$ 33,137
Education	1,746	1,110
Medical records software support	5,181	4,155
Resident support	<u>435</u>	<u>906</u>
	<u>\$ 39,869</u>	<u>\$ 39,308</u>
Drugs and medical supplies:		
Drugs	\$ 1,272	\$ 2,205
Medical supplies	<u>4,579</u>	<u>2,189</u>
	<u>\$ 5,851</u>	<u>\$ 4,394</u>
Activities:		
Salaries	\$ 35,900	\$ 52,802
Supplies	4,673	503
Van maintenance and expense	<u>2,567</u>	<u>2,475</u>
	<u>\$ 43,140</u>	<u>\$ 55,780</u>
Social services:		
Salaries	\$ 23,045	\$ 24,126
Supplies	<u>-</u>	<u>85</u>
	<u>\$ 23,045</u>	<u>\$ 24,211</u>
Physical therapy:		
Consultant	\$ 2,769	\$ 2,034
Salaries - aide	9,152	19,468
Supplies	<u>179</u>	<u>-</u>
	<u>\$ 12,100</u>	<u>\$ 21,502</u>

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULES OF EXPENSES

YEARS ENDED JUNE 30, 2005 AND 2004

(CONTINUED)

	<u>2005</u>	<u>2004</u>
Other services:		
Medical director	\$ 2,400	\$ 2,400
Pharmacy consultant	1,200	1,200
Patient physician fees	849	-
	<u>\$ 4,449</u>	<u>\$ 3,600</u>
Depreciation:		
Building	\$ 18,551	\$ 18,955
Equipment	9,856	12,761
	<u>\$ 28,407</u>	<u>\$ 31,716</u>
Village South Apartment complex:		
Salaries	\$ 19,918	\$ 21,418
Payroll taxes - including IPERS	2,343	2,032
Telephone	428	481
Gas	1,784	1,669
Electricity and water (City of Akron Municipal Utilities)	3,161	3,285
Insurance	1,500	1,500
Depreciation	6,597	6,645
Miscellaneous	1,451	1,276
Repairs and maintenance	1,513	914
	<u>\$ 38,695</u>	<u>\$ 39,220</u>
Village North Apartment complex:		
Salaries	\$ 24,568	\$ 16,302
Payroll taxes - including IPERS	2,341	573
Telephone	668	385
Gas	1,168	1,033
Electricity and water (City of Akron Municipal Utilities)	3,515	998
Insurance	3,736	3,600
Interest	19,027	8,449
Depreciation	22,030	10,764
Miscellaneous	4,404	1,106
Repairs and maintenance	618	840
	<u>\$ 82,075</u>	<u>\$ 44,050</u>
 Total expenses	 <u>\$ 1,796,791</u>	 <u>\$ 1,846,338</u>

See accompanying independent auditors' report.

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULES OF REVENUES AND EXPENSES - VILLAGE SOUTH APARTMENT COMPLEX

YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Rent income	\$ 60,385	\$ 65,600
Expenses:		
Salaries	\$ 19,918	\$ 21,418
Payroll taxes - including IPERS	2,343	2,032
Telephone	428	481
Gas	1,784	1,669
Electricity and water (City of Akron Municipal Utilities)	3,161	3,285
Insurance	1,500	1,500
Depreciation	6,597	6,645
Miscellaneous	1,451	1,276
Repairs and maintenance	<u>1,513</u>	<u>914</u>
	\$ 38,695	\$ 39,220
Excess of revenue over expenses	<u>\$ 21,690</u>	<u>\$ 26,380</u>

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULES OF REVENUES AND EXPENSES - VILLAGE NORTH APARTMENT COMPLEX

YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Rent income	\$ 62,366	\$ 9,703
Expenses:		
Salaries	\$ 24,568	\$ 16,302
Payroll taxes - including IPERS	2,341	573
Telephone	668	385
Gas	1,168	1,033
Electricity and water (City of Akron Municipal Utilities)	3,515	998
Insurance	3,736	3,600
Interest	19,027	8,449
Depreciation	22,030	10,764
Miscellaneous	4,404	1,106
Repairs and maintenance	618	840
	<u>\$ 82,075</u>	<u>\$ 44,050</u>
Deficiency of revenue under expenses	<u>\$ (19,709)</u>	<u>\$ (34,347)</u>

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULE OF STATISTICS

YEAR ENDED JUNE 30, 2005

	<u>All Patients</u>	<u>Medicaid Title XIX Patients</u>
52 Bed Nursing Facility:		
Number of patients, July 1, 2004	42	20
Admissions	26	11
Discharges, including deaths	(33)	(11)
Transfers	-	4
Number of patients, June 30, 2005	<u>35</u>	<u>24</u>
 Total patient days	 14,725	 8,195
 Percentage of occupancy	 77.6%	 43.2%
 Average number of patients per day	 40	 22
 Village South Apartment Complex:		
Rent charges	\$ 60,385	*
Gross potential rent (assuming single occupancy)	\$ 72,000	*
Percentage of occupancy	84%	*
 Village North Apartment Complex:		
Rent charges	\$ 62,366	*
Gross potential rent (assuming single occupancy)	\$ 110,400	*
Percentage of occupancy	56%	*

\* Statistic not applicable.

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULE OF INSURANCE COVERAGE

JUNE 30, 2005

Property:	
Building - nursing home	\$ 3,917,000
Garage	31,000
Six unit apartment building	530,000
Eight unit apartment building	703,000
Contents	822,900
Business interruption	720,000
Adult congregate living facilities professional liability:	
Per person	1,000,000
Total	3,000,000
General liability:	
Per occurrence	1,000,000
Total	3,000,000
Business auto coverage:	
Combined single limit	1,000,000
Uninsured/underinsured motorists	1,000,000
Workers' compensation (\$500,000 employer liability)	1,000,000
Employee dishonesty	10,000
Computer equipment	15,000
Directors' and officers' liability	1,000,000
Sexual misconduct liability:	
Per occurrence	1,000,000
Total	3,000,000



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of  
Akron City Convalescent Care Center

We have audited the financial statements of Akron City Convalescent Care Center as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated August 11, 2005. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Akron City Convalescent Care Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Akron City Convalescent Care Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Care Center's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Care Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Akron City Convalescent Care Center and other parties to whom Akron City Convalescent Care Center may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Sioux City, Iowa  
August 11, 2005

*King, Reinsch, Prosser & Co., L.L.P.*

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-05      Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05      Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in several expense accounts. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future if applicable.

Conclusion - Response accepted.

IV-C-05      Questionable Expenses - No questionable expenses were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05      Travel Expense - No disbursements of Care Center money for travel expenses of spouses of Care Center officials and/or employees were noted.

IV-E-05      Business Transactions - No business transactions were noted between the Care Center and Care Center officials.

IV-F-05      Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-05      Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the Care Center's investment policy were noted.

AKRON CITY CONVALESCENT CARE CENTER

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

IV-H-05      Publication of Bills Allowed and Salaries - Chapter 392.6 of the Code of Iowa states "The Board of Trustees shall be vested with authority to provide for the management, control and government of the City hospital or health care facility established as permitted by this section, and shall provide all needed rules for the economic conduct thereof and shall annually prepare a condensed statement of the total receipts and expenditures for the hospital or health care facility and cause the same to be published in a newspaper of general circulation in the City in which the hospital or health care facility is located." The Care Center publishes an annual news release listing total receipts and expenses for the year.